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13 May 1952

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## **CURRENT INTELLIGENCE DIGEST**

**Office of Current Intelligence**

**CENTRAL INTELLIGENCE AGENCY**

This digest of significant reports has been prepared primarily for the internal use of the Central Intelligence Agency. It does not represent a complete coverage of all current reports received. Comments represent the immediate views of the Office of Current Intelligence.

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THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECS. 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

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GENERAL

1. Improved British-Yugoslav military cooperation reported:  
The British Ambassador in Belgrade states that while British-Yugoslav political relations have deteriorated during the past three months, Yugoslav military authorities have been more cooperative than formerly. He indicates that Yugoslavia wants to invite Britain's Chief of Staff Sir William Slim to visit Yugoslavia this summer.

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Comment: Since Britain maintains nothing more than a normal military mission in Yugoslavia, the British Ambassador may have been referring simply to closer working relationships between military attaches.

SOVIET UNION

2. Soviet Union provides ten planes for Iranian locust campaign: One Soviet transport plane and nine biplanes probably all from the air base at Ashkhabad arrived in Meshed near the USSR border on 11 May for the locust dusting campaign. Twenty-five to thirty Soviet officers and men accompanied the planes, which are expected to operate in the vicinity of Birjand near the Afghan border for about one month.

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Comment: The USSR provided nine planes in May 1951 for anti-locust operations in Northeastern Iran. This year, it is apparently again concerned lest the plague spread north into the Soviet Union. The propaganda benefit of such a "humanitarian" effort is undoubtedly another Soviet consideration.

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EASTERN EUROPE

3. Bulgarian arrest of Yugoslav Embassy attache protested:  
The Yugoslav Embassy in Sofia has protested against the arrest on May Day of a Yugoslav Embassy attache by members of the Bulgarian State Security. Allegedly, the arrest was made despite the fact that the attache had established his identity by producing his diplomatic credentials. According to the Yugoslav note, the Bulgarian Government "is endeavoring with such actions to provoke incidents and create an atmosphere in which the work of Yugoslav diplomatic representatives in Sofia will be made impossible."

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Comment: No further information is available concerning the reported arrest. Although Bulgarian propaganda attacks against Yugoslavia have continued on a routine basis and various notes of protest have been exchanged, relations between the two countries have shown no evidence of being more than normally strained and unfriendly during the past few months.

4. Cominform journal expresses concern over Bulgarian political situation: The Cominform has admitted officially that the Bulgarian Communist Party has been penetrated by "avowed enemies" of the regime, some of whom have managed to work their way into "responsible posts." According to an article published in the 9 May issue of the Cominform journal, 1,600 special purge commissions were established last year to "verify" the various organs and membership echelons of Bulgarian communism. It is now admitted that 17,466 full and probationary members have been expelled. Despite this extensive purge, the article states that the task of ascertaining how Bulgarian communism was so successfully infiltrated "remains to be solved."

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Comment: The figure 17,466 apparently refers only to those individuals who have been purged from the Bulgarian Party during the past year. In June 1950, Premier Chervenkov stated that 92,000 members had been purged from the party during the preceding eighteen months alone.

Although there have been many rumors concerning a schism within the Communist Party of Bulgaria, there has been no firm evidence of serious unrest within the higher echelons since June 1951. The recent purges are probably a continuation of those instituted earlier for the purpose of weeding

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unreliable elements from the inflated postwar membership of the party which, by the end of 1946, had reached 490,000.

5. Monetary reform decreed in Bulgaria: The Bulgarian Government has decreed a monetary reform pegging the lev to the Soviet ruble at the rate of 1.7 to one. Between 12 and 15 May all old currency must be exchanged for new notes at rates ranging from 25 - 1 to 200 - 1.

According to the decree, all goods formerly sold on ration coupons will henceforth be available without restriction at pegged and uniform State retail prices. Basic food and consumer goods prices will be lowered, and the salaries of workers and employees will be somewhat increased.

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Comment: As in the case of Rumania, which underwent a similar currency reform in January, the exchange of old currency at the announced rates will reduce consumer purchasing power and virtually wipe out private savings, particularly among those peasants not associated with cooperatives and among entrepreneurs in retail trade.

Although prices have been reduced, workers' real wages will suffer, since in many cases the reductions apply to consumer goods which are currently short in supply or virtually unobtainable.

6. MIG-15's featured at Czech Liberation Day military show in Prague: Forty-five MIG-15's appeared for the first time in the fly-past at the seventh Liberation Day military show in Prague on 9 May. This number exceeds the best previous estimate for jet fighters in Czechoslovakia.

The appearance of ground units in the parade was not so impressive as last year and included a much more limited display of equipment. From the standpoint of equipment and morale the fighting capabilities of the Czech army do not appear to have improved substantially in the past year.

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Comment: This is the first year that jet fighters have appeared in the Liberation Day show. They replaced the Me-109's which were featured in previous years. The US Air Force had previously accepted only 40 MIG-15's in the Czech Air Force and 100 in the entire East European Satellite bloc.

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Last year 16,000 foot troops made an excellent appearance, as did the motorized infantry units. The reduction in equipment appearing in the Prague display may be explained partly by the fact that eight other major Czech cities held Liberation Day celebrations this year for the first time.

7. Czech President appears at Liberation Day military parade: President Gottwald appeared at the Liberation Day military parade in Prague looking very infirm and ten years older than he did a year ago. He required assistance getting into and out of the car and mounting the steps to the tribunal. His drawn and haggard appearance suggested continued poor health or convalescence after a long illness.

Gottwald took no active part in the ceremony. The major speech and the inspection of the troops was made by Minister of National Defense Alexej Cepicka.

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Comment: This is Gottwald's first public appearance since his state visit to East Germany earlier in March. Prior to that time he had not been active in governmental affairs since before the first of the year. Although Vice Minister of Foreign Affairs Gertruda Sekaninova assured the American Ambassador on 28 April that Gottwald would be well enough to take part in both the May Day celebration and the Liberation Day military show, he did not appear at May Day or at the festivities and speech-making the night before Liberation Day.

8. Hungarian youth organization campaigns against pacifism: The youth organization, DISZ, exhorted its members on 7 May to read Communist Party leader Rakosi's speeches on national defense and patriotism. The article asserted that imperialist rearmament and Yugoslav frontier violations necessitated a strong Hungarian army, and it denounced clerical opposition to defense measures. It asserted that mental and physical preparation for defense was the most important task of DISZ.

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Comment: The article doubtless reflects the present call-up of part of the class of 1932, as well as expansion of the paramilitary organizations. DISZ's recent campaign against pacifism, highlighted by a previous article calling pacifism akin to high treason, suggests that there has been resistance to the expansion of the Hungarian army.

DISZ and at least two of the paramilitary organizations which it supervises have been in process of reorganization on

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Soviet lines since February. A Soviet Komsomol delegation just left for Russia after a six-weeks' stay in Hungary, reportedly in connection with the shakeup.

9. Hungarian state farm agreement with workers stresses increased production: The first collective agreement signed by a Hungarian state farm with its agricultural workers was announced on 4 May. The agreement reportedly emphasized work competition, increased production and reduced costs, with an incidental reference to welfare and work conditions. Wages were not mentioned. The signing was believed to presage similar agreements on all the state farms.

An editorial in the party organ Szabad Nep called on all independent peasants and their wives and children to work on state farms and tractor stations as their patriotic duty. The US Legation at Budapest interprets this as indicating inefficiency on state farms since they have a low acreage per worker.

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Comment: State farms allegedly cultivate twelve percent of all Hungary's arable land. Although little information is available on their operation, last spring they underwent scorching criticism by party and government for inefficient methods and constant financial losses.

10. Polish Government takes additional steps to overcome consumer shortages: During the last few weeks the Polish Government has taken a number of additional steps in an effort to lessen the effects of shortages of consumer goods.

On 2 May the Ministry of Internal Trade announced the beginning of soap rationing on the same differential pattern already established for meats and fats. A "recent resolution of the Government Presidium" to provide for the fattening of 100,000 hogs in 1952 and 160,000 in 1953 in an industrial fattening center was announced in the press on 5 May. By this plan the government hopes to eliminate seasonal fluctuations in urban meat supplies.

A decree of 24 April, made public on 5 May, introduced compulsory milk deliveries for all farms having over one hectare of arable land. All peasants without cows are accorded a period of grace until the end of the year before being required to deliver milk.

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An 8 May press report described the government's plan for the cultivation of fallow land through agreements between the local authorities and individual peasants, "cultivation teams," collectives, or state farms. Various concessions and incentives, more extensive for the "cultivation teams" or the other groups are offered.

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**Comment:** The US Embassy in Warsaw reported a worsening food shortage in Poland on 9 April, particularly of meats, fats, soap, and sugar.

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FAR EAST

11. Refugees report on conditions in Communist China: A

[redacted] left China in 1951. Most of them reported that the Peiping regime

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- (1) is in firm control of the mainland,
- (2) has succeeded in terrorizing the populace, and
- (3) has been comparatively successful in the economic sphere, but
- (4) has lost its early popularity and
- (5) has not improved the condition of the Chinese farmer and has perhaps made it worse.

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25X1C Comment: Refugees interviewed by American officials in [redacted] have generally reported the same conclusions.

12. Nationalists allege 635,000 guerrillas active on mainland:

A Chinese Nationalist spokesman alleges that 635,000 anti-Communist guerrillas are still active on the mainland, of whom 35,000 are still in direct radio contact with Formosa.

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Comment: American observers believe that a maximum of 300,000, and possibly fewer than 200,000 guerrillas have escaped Peiping's continuing "bandit-suppression" campaigns.

13. Battle reported on offshore island: A battle started on the Nationalist-held Ichiang Islands on 3 May, [redacted]

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25X1X [redacted] Nationalist warships from Tachen were sent to the islands but [redacted] observed that it was not clear whether the action was due to a Communist attack or a battle among the Nationalist troops.

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Comment: These islands, which are part of the Tachen group, opposite Chekiang Province, are held by only a few hundred Nationalist soldiers and guerrillas. If the Communists have attacked this island, it is likely that they will be successful.

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14. Communist batteries fire on Nationalist-held islands: Chinese Communist shore artillery on 3 May bombarded Nationalist positions on the islands of Tatan and Hsiaotan, about eight miles from Amoy, [redacted] The barrage was fired from three positions in Amoy and lasted for an hour. [redacted]

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Comment: Both of these islands have reportedly been used as bases for Nationalist raids as recently as 29 January.

The information furnished is too sketchy to permit an evaluation of Communist plans for these islands.

15. Minor revolt in Kuomintang reported: Members of the CC Clique in the Legislative Yuan have succeeded in passing a resolution extending the members' term indefinitely, or until another election can be held. Recently Chiang Kai-shek proposed a one-year extension of the legislators' terms; therefore, angered by the CC resolution, he returned it to the Yuan as unacceptable.

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[redacted] this action by the Yuan represents "a minor revolt" of the CC Clique against Chiang, demonstrating that his control of the clique is not as great as previously believed. [redacted]

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Comment: The CC Clique is a nationalistic and right-wing group, whose leader, Chen Li-fu, has been absent from Formosa for over a year. Chen has been one of Chiang's closest advisers and strongest supporters since the late 1920's. As the interests of this group and the Generalissimo's are so closely identified, it is doubtful if this action shows any serious disturbance within the Kuomintang.

In 1951 Chiang extended the terms of the legislators until May 1952, on the grounds that the occupation of the mainland by the Chinese Communists made it technically impossible to hold constitutional elections.

16. French official sees "psychological shock" required in Indochina: The new French diplomatic counselor in Indochina believes that a "psychological shock" is required to end the "hopeless" military stalemate in Indochina. He personally

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suggests a joint French-British-American declaration of common aims in Southeast Asia, namely, national independence, security, and improved living conditions.

The counselor believes his government would be willing to go "very far" to obtain a tripartite declaration of this nature. He spoke of the desirability of a declaration "confirming" France's desire to give greater autonomy to the Associated States. [redacted]

Comment: Minister Resident Letourneau recently expressed opposition to further political concessions to the Associated States so long as military operations are in progress. When the counselor was questioned as to the apparent conflict in these views, he stated that the "need to revise the situation" and the demands of French public opinion would "weigh more heavily."

17. Vietnamese premiership proves profitable to incumbent: According to the chief French civil official in North Vietnam, Premier Tran Van Huu has amassed a fortune of "several hundreds of millions" of piasters and his tenure in office rests largely on his ability to keep Bao Dai supplied with funds. A Vietnamese official asserted that the French Commander in North Vietnam commented publicly to Madame Huu on her "developing" display of jewelry valued at several hundred thousand dollars. [redacted]

Comment: Irregular use of government funds probably explains, at least in part, why the Vietnam Government did not respond to the American Legation's repeated requests for a published budget. Although some of Premier Huu's income comes from rice holdings in South Vietnam, another important Vietnamese official says that Huu's wealth is derived mainly from his control of three or four million piasters a month of secret government funds. This is in addition to his official salary.

Huu's tenacious control of the Vietnam Government was established with French support one year ago, and so far he has been able to resist their pressure for his removal.

18. Burmese seen prepared to send military mission to eastern Europe: The Burmese Government is preparing to send "a military mission" to Yugoslavia which will attempt to obtain military equipment, according to a usually reliable source. The mission would proceed to Czechoslovakia and other east European countries if arrangements could be made. [redacted] 25X1

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Comment: In the past, Burma has approached India, Pakistan, France, Italy, Sweden, Britain and the United States for arms.

The Burmese Defense Minister recently asked the American Army Attaché in Rangoon about the prospects of sending a military mission to the United States. He indicated that if it could be arranged, for political reasons, a similar mission would have to be sent to a small nation--such as Yugoslavia. He did not mention the possibility of its visiting any of the Satellite countries.

19. Attacks on railways resumed by Burmese Communists: Burmese Communists have resumed heavy attacks upon Burma's railways after a six weeks lull. Bridges and tracks have been destroyed and trains held up and robbed, one only six miles north of the important junction of Pegu on the Rangoon-Mandalay line. The American Embassy in Rangoon comments that the Communists' relative inactivity before this flare-up may have been due to their efforts to make peace with the government. 25X1

Comment: While Burmese forces appear to be making some progress in their efforts to suppress the insurgents, this report indicates that the recent victory reports emanating from official sources are exaggerated.

20. Communists delay American-sponsored irrigation project in Burma: Shortly after the Burmese press announced plans for a large irrigation project in the Mandalay-Pyinmana area of central Burma to be supervised by an American firm, Burmese Communists relieved the surveyors of their instruments and ordered them to leave. The Burmese Government has refused to permit Mutual Security Agency advisers to visit the area. 25X1

Comment: The Burmese Army has publicly claimed that it was "mopping up" in this area after having trapped and "annihilated" an entire Communist division and "nearly capturing" the Communist leader, Than Tun.

21. Opposition groups call for "unity" conference in Burma: After meeting with most opposition leaders, Dr. Ba Maw, chief of the Japanese-sponsored government during World War II, issued a press statement on May Day calling upon the Burmese

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Government to meet with underground and aboveground Communist leaders in the interest of promoting national unity. The extreme leftists were not among the signatories, although two conservative leaders who also refused to sign, declared that Ba Maw's action was a Communist maneuver approved by the Burma Workers and Peasants Party.

The American Embassy in Rangoon believes that the pro-Communists deliberately refrained from participation in this development in order to obtain maximum support for the Burma Communist Party's peace proposals. 25X1

Comment: Ba Maw's own party, the Mahabama, is essentially conservative but has aligned itself with pro-Communists in the so-called Triple Alliance.

There are no indications that the Burmese Government is prepared to settle with any of the insurgents except on its own terms.

22. Indonesian authorities arrest North Sumatra May Day committee members: The first and second secretaries of the Medan May Day Committee have been arrested and the committee resolutions confiscated. A member of the East Sumatra May Day Committee was also arrested after making a speech. 25X1

Comment: The extent of May Day activity in North Sumatra has not been reported. In Java demonstrations were less extensive and inflammatory than last year.

Top security officials in North Sumatra are particularly vigilant and anti-Communist. The August 1951 security sweep was noticeably more effective in North Sumatra than elsewhere in Indonesia.

#### NEAR EAST - AFRICA

23. Field Marshal Montgomery's speech on reduced military spending stirs speculation in Athens: Ambassador Peurifoy reports that Field Marshal Montgomery's recent public suggestion that Greek military expenditures be reduced has aroused speculation in Athens as to whether the speech was inspired by the United States or was made on the Marshal's own initiative. Since maintenance of the size and strength of the Greek armed

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forces is a vital consideration of the American post-Korean policy, Peurifoy asked Washington if the Marshal's suggestion is in accord with present United States policy. [redacted]

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Comment: Montgomery pointed out that Greece could not go on indefinitely spending nearly 50 percent of its budget for defense, and he urged the government to strike a proper balance between economic and military expenditures. The Greeks interpreted his speech, however, as a plea for reducing the size of their armed forces. The government has already tried to exploit it as an argument for more American aid and as a weapon against opposition leader Papagos, who shares the United States' view that the army should be kept at its present level.

24. Tunisian nationalist leader to be held incommunicado indefinitely: Habib Bourghiba, leader of the Tunisian nationalist Neo-Destour party, is to be held incommunicado indefinitely, according to the Residency General. Other political detainees, however, are being released; a first group of 38 were given their liberty on 9 May.

Members of the Chenik cabinet, freed on 6 May, have promised not to engage in politics. [redacted]

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Comment: Since Bourghiba has long been the symbol of Tunisian aspirations, his prolonged detention will keep tension at a high pitch.

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WESTERN EUROPE

25. Extremist parties in Trieste hold surprisingly large election rallies: The most striking feature of the first week of the electoral campaign in Trieste has been the large attendance at Cominform Communist and neo-fascist political rallies in contrast to the comparatively poor attendance at the meetings of the more moderate parties. A rally of the neo-fascist Italian Social Movement (MSI) on 7 May attracted over 25,000 spectators and followers as opposed to a previous high of 17,000 reached during the 1949 campaign. A Christian Democratic meeting in the same place two hours earlier drew only 2,500 people.

Followers of the pro-Cominform party in Trieste have dispersed campaign meetings sponsored by the Christian Democrats and the Socialist Party of Venezia Giulia. No attempts have been made to disturb pro-Titoist or MSI meetings. The Cominformists believe that all votes for the MSI will weaken the Christian Democrats who dominate the local government in Trieste.

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Comment: An upsurge of Italian nationalism in Trieste has played into the hands of the extremist parties since they are best able to exploit rising emotions both for and against the return of Trieste to Italy.

26. "Obergebra incident" seen as basis for East German bourgeois party purge: A Berlin correspondent of the Frankfurter Rundschau reported on 8 May that the Socialist Unity Party (SED) has welcomed the 30 April manslaughter of a Thuringian "functionary" at Obergebra by two members of the Christian Democratic Union (CDU) as an excuse for implementing long-planned measures for bringing East German bourgeois parties completely under SED control. A purge of these parties and of the entire government apparatus has allegedly been decided upon, with the calling of new general elections under consideration.

The Weimar CDU executive is said to have been greatly alarmed by the episode, and on 7 May the party's political committee reportedly called the "Obergebra incident" a warning that anti-democratic forces, that is, those responsible for the manslaughter, are prepared to engage in open terrorism. The committee is said to have advised all CDU members in "this serious time" to take all suitable measures against saboteurs, diverters, and agents.

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Comment: This report is without confirmation. While such an episode could provide the excuse for a wholesale purge and new elections, the necessary propaganda build-up for such drastic measures has not yet been noted. On the contrary, recent events have pointed to a desire on the part of East Zone officials ostensibly to broaden the basis of the government. The open abandonment of the facade of "democracy" would be tantamount to admission that there are no prospects for German unification.

27. East German Christian Democrats seen as vehicle for mobilizing German opposition to the West: At a meeting last January, East Zone Christian Democratic (CDU) leaders were reportedly directed by Soviet Political Adviser Semenov to establish connections with all West German Christian circles as a step toward frustrating a German contribution to Western re-armament. Asserting that the Socialist Unity Party (SED) was an improper instrument for such purposes, Semenov is said to have assured CDU leaders of adequate funds and of a free hand in winning over the Christian ("Third") Front.

Speaking for the East Zone CDU, General Secretary Goetting told the assembled group that the times were favorable for such an operation; he reportedly stated that at least 80 percent of the professional representatives of the Evangelical Church are either opposed to Western policies or can be converted to such opposition.

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Comment: This report, if true, is a further indication that the Russians consider German Protestantism particularly vulnerable to Soviet appeals. It also suggests the special importance which the Russians attach to the East Zone CDU as a medium for subverting the Bonn government.

28. Adenauer reports progress in reviewing contractual agreement: Chancellor Adenauer is convinced that he has made real progress in satisfying objections of members of the coalition parties to the Allied-German contractual agreement. He believes that the criticism which was directed at all articles of the general convention can be overcome by a few changes in presentation which will not alter the substance.

Regarding the annexes to the general convention, however, the majority of cabinet and party leaders have expressed very strong opposition to the article on decartelization and de-

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concentration. Adenauer feels that unless substantial modifications in this article are accepted by the Allies, the contractual agreement itself may be jeopardized. [redacted]

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Comment: The right-wing coalition parties may ask that the decartelization and deconcentration provisions be expunged from the contractual agreement and included in a transition agreement which could be repealed when the Schuman Plan becomes operative.

29. West German association increases East-West trade pressures: OSTAG, the new trade association created in West Germany, is continuing its efforts to promote trade deals discussed at the Moscow Economic Conference. The organization, which is composed mostly of "known Red sympathizers of East-West trade agents," is seeking a broader base to include reputable firms. It is holding weekly meetings in Berlin to permit direct contact with Soviet and Satellite trading agents. [redacted]

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Comment: Creation of this group, first reported on 1 May, appears designed to exploit the resentment of West German businessmen over Allied restrictions on East-West trade, and as an attempt to reduce the West German Government's willingness to participate in such restrictions.

30. Nenni hints at divergencies between Italian Socialist and Communist Parties: Despite the "unity of action" pact between the Italian Communist and Socialist Parties, the latter will not necessarily object to future ministerial collaboration with the Christian Democrats, Socialist leader Nenni revealed in an interview at the Foreign Press Club in Rome. Although the Socialists had opposed Italian membership in NATO, they will "take account of the country's judgment" in the 1953 parliamentary elections. Nenni also hinted that his party might run separately from the Communists in 1953, provided the parliamentary electoral law is based on proportional representation.

The American Embassy comments that Nenni's remarks, instead of implying a break with the Communists, seem more likely to be calculated to break the isolation of the leftist parties and prevent any change in the electoral law for 1953 that would favor the Christian Democrats. Nenni may also be trying to appear democratic as a tactical maneuver in the present municipal election campaign in Rome. [redacted]

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Comment: There is no evidence to suggest that Nenni will break with the Communists prior to the municipal elections on 25 May. However, the possibility of a future rupture should not be excluded, in view of recent ambiguous statements by Nenni.

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The American Political Adviser in Trieste reports from [redacted] 25X1 that Premier de Gasperi is trying to engineer a break between Nenni and the Communists in preparation for the 1953 parliamentary elections.

31. Catholic Action paper stresses Vatican support for Christian Democrats in Italian elections: The Vatican semi-official Osservatore Romano, has announced that Catholics have an "absolute duty" to vote for the Christian Democratic electoral list in the south Italian elections. The paper re-emphasized its disavowal of the so-called "Catholic" slate which is linked with the neo-fascists in Rome, and sought to convince nationalist or rightist-inclined voters that a ballot for the extreme right would in effect help the Communists.

The fact that the Catholic Action press put great emphasis on Osservatore's remarks is regarded by the US Embassy in Rome as encouraging, in view of the long-standing belief of Catholic Action President Gedda that the anti-Communist coalition should include rightist elements. [redacted] 25X1

Comment: Gedda has long tried to achieve an alliance between the Christian Democrats and the neo-fascists; and although he reportedly supports De Gasperi in these local elections, he may well desert the Premier before the 1952 national elections if the Christian Democrats make a poor showing now.

The US Embassy has predicted that the Christian Democratic bloc will poll a plurality of some 35,000 to 50,000 votes in the Rome municipal election.

32. Italy's trade deficit shows marked increase: After a steady gain in gold and dollar reserves from last June to February, resulting in a gain of 140 million dollars, Italy's reserves dropped by 14 million dollars in March. Preliminary statistics indicate a growing trade deficit; the deficit for the first quarter of 1952 totalled 209 million dollars, in contrast to a 409-million-dollar trade deficit for all of 1951.

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The significant trade deficit increases result in part from the recent restrictions imposed by the United States, France, and the sterling area. This trend has also been strengthened by Italy's liberalization measures designed to reduce its large EPU surplus.

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Comment: Italian financial experts have anticipated a large increase in the trade deficit and a decline in dollar reserves.. They believe that such a trend will continue at least until the middle of the year. When Italy's surplus in the EPU is lowered to a desirable level, the trend toward a larger trade deficit can be arrested by reimposing the suspended trade restrictions.

#### LATIN AMERICA

33. Argentina attempts to increase influence with Colombian labor: Argentine representatives in Colombia have intensified their campaign to draw the rank and file of labor into the new Colombian General Confederation of Labor (CGTC) based on Peronista concepts and financed by the Argentine Government. They reportedly have succeeded in converting some members of the Union of Colombian Workers (UTC) and the Confederation of Colombian Workers (CTC), Colombia's two national labor federations.

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Comment: The UTC, Colombia's most powerful labor organization, is dominated by the Catholic Church and receives government support, but is accused of doing very little for labor. The Liberal CTC is weak and infiltrated with leftist elements. Between these two is a fertile field for the Argentine movement. This is beginning to enjoy a fair degree of success and, according to the US Embassy in Bogota, may even result in disruption of the faltering CTC.

34. British Guiana People's Progressive Party becomes more openly Communist-oriented: The propaganda and activities of the People's Progressive Party (PPP) have acquired several new aspects since party leader Cheddi Jagan returned from Europe last November. Jagan, a dentist, announced on his return that he would now spend half of his time on political activities for the party and that he would seek help from several Communist-oriented groups outside the colony. He also announced showings of films on life in the USSR and made

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speeches extolling the freedom and prosperity found in Eastern Europe. Simultaneously, Jagan set up the Colony's first "pro-peace" committee which at its inaugural meeting launched the party's first open attack on the clergy.

The PPP's influence on British Guiana affairs is limited by the colonial status of the country. It is, however, the largest political group there and controls or influences important labor groups including some of the organized segments of the bauxite workers.

British Guiana police report that the increased Communist orientation of the PPP has caused a serious internal split, but they feel that the split is on tactical rather than ideological grounds. The party has continually denied having revolutionary or Communist aims, apparently in the fear that with such a label it would lose much of its following.

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13 May 1952

CIA No. 49647

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**TOP SECRET SUPPLEMENT**

**TO THE CURRENT INTELLIGENCE DIGEST**

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**Office of Current Intelligence**

**CENTRAL INTELLIGENCE AGENCY**

This digest of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence. Comments represent the immediate views of the Office of Current Intelligence.

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NEAR EAST - AFRICA

1. Turkey denies planning military talks with Yugoslavia: The Turkish Foreign Minister in a 9 May conversation with Ambassador McGhee expressed "great satisfaction" with the results of the recent Greek-Turkish talks in Athens. He said that a joint Greek-Turkish approach to Yugoslavia had been the main topic discussed, but emphasized that military talks with Yugoslavia had not been undertaken and would be considered only after prior discussion with the United States.

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Comment: A Greek Foreign Office official informed the American Ambassador in Athens on 6 May that the Turks had agreed to join Greece in approaching Yugoslavia on military defense planning. The Foreign Minister's statements, however, are in line with his previous assertion that he intended to limit his forthcoming talks in Belgrade to economic and cultural matters.

WESTERN EUROPE

2. France may delay ratification of EDC treaty: The French Government does not plan to submit the European Defense Community treaty to the National Assembly before October, according to several high French officials. The American Embassy in Paris thinks that Premier Pinay's relative indifference toward foreign affairs makes it questionable that he would personally make an all-out fight for ratification.

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